Statement by Balmiki Prasad Singh  
Date of Meeting: October 18, 2001  

**Bosnia and Herzegovina: CAS Progress Report**

1. We thank Management and Staff for the very useful debate on Bosnia Herzegovina CAS. We also thank Mr. Stek for his useful statement which focused attention on the critical issues for the country.

2. We are encouraged at the progress made by the Government of Bosnia Herzegovina in crucial areas such as privatization, macro-economic consolidation, private sector development and improving accountability and transparency in governance. However, as the document points out, the reform agenda has advanced at a pace much slower than expected and the window of opportunity for Bosnia Herzegovina to build itself into a vibrant and prosperous state is closing. The political consensus on the reform agenda appears to be quite tenuous and this threatens to undermine the entire reform process.

**Foreign Direct Investment**

3. BiH has the lowest rate of FDI in the region. While political instability and corruption are cited as most important factors inhibiting inward FDI, there are other factors as well which affect BiH attractiveness as foreign investment destination. The disruption of the railway network which before 1992 carried most of the traffic has affected commercial activities. We are aware that the EBRD is assisting BiH along with the European Investment Bank. Does the Bank has any plan to assist the railway modernization in BiH, given the large scale of the problem?

4. The widespread unemployment remains a major poverty inducing factor and also a threat to the reform process. What specific measures do the Government of BiH and the Bank propose to take to address the problem of unemployment? The Progress Report refers to the vibrant informal economy. One significant factor which could succeed in bringing informal economy into the formal sector would giving formal title to informal title holders. How severe are the distortions in the urban land market in BiH? Does the Government of BiH have any program for addressing the issue of land and title for the urban poor and the informal sector?
5. We welcome the steps taken for financial sector reforms in BiH in conjunction with the Bank and bilateral donors, especially Germany. The role of IFC in the privatization of the PBS Bank is noteworthy in this regard. What are the prospects for bank reforms in the Republica Srpska?

6. In conclusion we commend the efforts of Government of BiH and hope that more progress will be achieved in the current year in the difficult task of reform. We look forward to the CPAR, CFAA, PEIR and the Poverty Assessment.